



CHARITABLE LEAD TRUST

The **charitable lead trust (CLT)** pays income to Wesleyan University now, while reducing your tax costs for transferring assets to your heirs. With a charitable lead trust, you irrevocably transfer assets to a trustee and provide that payments will be made to Wesleyan for a certain number of years or until the end of your or another's life. Then the principal is passed along to your children or other heirs at greatly reduced gift and estate tax rates and in some instances, avoid them all together. The charitable lead trust may appeal to individuals who wish to make a gift while retaining property in their family.

Is a CLT right for you?

A charitable lead trust could be the right life income gift if you...

- have substantial assets which are not needed for your own financial security,
- would like to provide for your family or other heirs,
- want to reduce your gift and estate taxes, and probate costs,
- have as your planning objective to preserve the value of your estate, not increase your income or reduce your income tax, and,
- would like your gift to provide a stream of income to Wesleyan , meaning your gift will make a difference starting immediately.

How does it work?

- You irrevocably transfer cash, securities, or other property to a trust. At the time of your gift you received a charitable tax deduction.
- Each year, during its term, the trust pays a percentage of its value or a fixed amount to Wesleyan.
- When the trust ends, its remaining principal transfers to your family or other heirs you name.

What are the tax benefits?

- You make a substantial annual gift to Wesleyan.
- You are not taxed on the annual income generated, but you also do not receive an income tax deduction each year. (It is possible to get an income tax deduction up front. Please speak with us for more information.)
- You pass remaining principal to your heirs at greatly reduced gift and estate taxes.
- You benefit from professional management of the assets during the term of the trust.
- You enjoy a gift tax deduction for the present value of Wesleyan's income interest.

Specific tax implications of a CLT of which you should be aware.

When you transfer assets to your charitable lead trust, you are making a taxable gift to the individuals who will receive your trust's principal when it ends. However, your gift of payments to Wesleyan earns you a charitable gift tax deduction in the year of your gift that will reduce your taxable gift. In addition, the assets in your charitable lead trust are removed from your taxable estate. This means that any growth in the value of your trust's assets during its term can be passed on to your heirs completely free of taxes.

A charitable lead trust is a taxable trust, but it pays income tax only if its income exceeds the amount it pays to Wesleyan during the year. A careful trustee can balance your lead trust's income against its charitable payments in order to minimize its income taxes.



Alvin von Auw '37 established a charitable lead trust with Wesleyan University for a term of 25 years. This allowed for the creation of the Alvin von Auw '37 and Eleanor Flagg von Auw University Endowed Scholarship to make a student's dream of an education a reality. Lianne, a recipient of the Scholarship and pictured here, loved her time at Wesleyan and continued her education at the Harvard-MIT Division of Health Sciences and Technology at Harvard Medical School.

By establishing a charitable lead trust, we welcome you into the Olin Associates leadership society. Established in 1989, this society recognizes and honors generous alumni and friends who have made a commitment to the future of Wesleyan University through provisions in their wills, life income gifts, or other kinds of deferred gifts. Olin Associates help sustain the tradition of excellence in liberal arts education at Wesleyan.

Members receive an Olin Associates pin. The scallop shell on the pin is a symbolic link to the tradition of social service for which Wesleyan is well known.

